FDIC State Profile

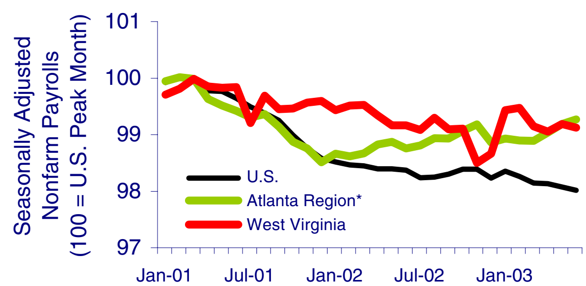
FALL 2003

West Virginia

Economic growth in West Virginia weakened in second quarter 2003.

- After a modest rebound early in 2003, economic conditions in West Virginia deteriorated again through the middle of the year (see Chart 1). As of June 2003, employment in the state was 0.4 percent below year-ago levels, which was on par with the national average during the same period.
- After a brief respite early in 2003, labor market conditions in West Virginia have started to deteriorate. In June 2003, the state seasonally adjusted rate of unemployment was 6.3 percent; about the same as the previous year but up 90 basis points from January 2003. As initial state unemployment insurance claims remain at historically high levels, labor markets may see little improvement in the near future.
- Although in structural decline for decades, job losses in the West Virginia coal industry have moderated in recent months. In 2002, the average annual wage from a coal-mining job was more than $54,000, nearly twice the average state wage for all industries.
- Population outflows that have constrained faster economic growth in West Virginia may be moderating. In 2002, the U.S. Census Bureau estimated that the state's population increased marginally. While substantially less than the national average, the increase was a substantial improvement over the six prior years during which the state's population base shrank. Anecdotal evidence suggests that the improvement is the result of fewer retirees relocating to states such as Florida.

Chart 1: Employment in West Virginia Continues to Drift



*Atlanta Region includes AL, FL, GA, NC, SC, VA, WV
Source: Bureau of Labor Statistics/Haver Analytics

Despite healthy conditions among community banks[1] headquartered in West Virginia, earnings growth has weakened.

- Earnings among community banks based in West Virginia slowed substantially during the 12 months ending March 31, 2003. Net income grew only 1 percent to $19 million during the period, much slower than the 45 percent growth rate recorded a year earlier. Nevertheless, greater use of noncore funding contributed to an increase in the aggregate net interest margin. Increasing exposure to noncore liabilities helped these institutions benefit from lower funding costs as market interest rates continued to decline. A lower level of noninterest income and higher noninterest and provision expenses contributed to lower profitability as measured by aggregate return on assets.
- Loan growth continued to weaken during the 12 months ending March 31, 2003, finishing the year at 7 percent on a merger-adjusted basis; the growth rate slowed for a second time in as many years. The greatest activity occurred in the nonresidential component of the commercial real estate loan segment, which also includes construction and multifamily loans. Although 1-to-4 family mortgages comprise the majority of the loan portfolio, the CRE segment now represents 17 percent of assets, up from 15 percent two years ago. CRE loan concentrations have increased among almost all community banks based in West Virginia, but remain lower than among banks in other areas in the Region. Credit quality among community banks headquartered in the state appears solid as noncurrent loans and charge-offs improved in the year ending first quarter 2003.

[1] Community banks have less than $1billion in assets and exclude denovos, specialty institutions, and thrifts.

West Virginia at a Glance

General Information	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Institutions (#)	76	77	77	87	98
Total Assets (in thousands)	20,592,142	19,539,170	18,456,217	23,934,235	24,627,361
New Institutions (# < 3 years)	2	3	5	5	7
New Institutions (# < 9 years)	10	10	8	9	10

Capital	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Tier 1 Leverage (median)	9.62	9.85	9.78	9.96	9.95

Asset Quality	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Past-Due and Nonaccrual (median %)	2.67%	2.78%	3.02%	2.18%	2.68%
Past-Due and Nonaccrual >= 5%	15	15	13	17	27
ALLL/Total Loans (median %)	1.24%	1.20%	1.14%	1.17%	1.21%
ALLL/Noncurrent Loans (median multiple)	1.30	1.28	1.26	1.65	1.08
Net Loan Losses/Loans (aggregate)	0.20%	0.90%	0.50%	0.37%	0.43%

Earnings	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Unprofitable Institutions (#)	2	3	6	4	4
Percent Unprofitable	2.63%	3.90%	7.79%	4.60%	4.08%
Return on Assets (median %)	0.95	0.92	0.84	1.00	0.96
25th Percentile	0.66	0.64	0.57	0.70	0.63
Net Interest Margin (median %)	4.11%	4.15%	4.10%	4.33%	4.26%
Yield on Earning Assets (median)	6.20%	6.97%	7.99%	7.98%	7.75%
Cost of Funding Earning Assets (median)	1.98%	2.70%	3.95%	3.64%	3.46%
Provisions to Avg. Assets (median)	0.14%	0.17%	0.15%	0.13%	0.13%
Noninterest Income to Avg. Assets (median)	0.48%	0.47%	0.44%	0.49%	0.44%
Overhead to Avg. Assets (median)	2.92%	2.95%	2.92%	3.00%	2.78%

Liquidity/Sensitivity	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Loans to Deposits (median %)	72.41%	73.64%	74.51%	72.42%	70.80%
Loans to Assets (median %)	60.61%	62.56%	62.20%	62.21%	61.13%
Brokered Deposits (# of institutions)	9	6	4	5	9
Bro. Deps./Assets (median for above inst.)	0.66%	0.65%	1.11%	2.06%	1.34%
Noncore Funding to Assets (median)	12.06%	12.15%	12.59%	12.03%	10.31%
Core Funding to Assets (median)	76.18%	76.66%	75.96%	76.62%	76.98%

Bank Class	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
State Nonmember	34	35	33	39	44
National	21	21	23	26	30
State Member	14	14	14	15	17
S&L	1	1	1	1	1
Savings Bank	6	6	6	6	6
Mutually Insured	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	54	6,017,200	71.05%	29.22%
Wheeling WV-OH	5	4,320,922	6.58%	20.98%
Huntington-Ashland WV-KY-OH	5	2,921,628	6.58%	14.19%
Charleston WV	4	2,679,557	5.26%	13.01%
Steubenville-Weirton OH-WV	3	604,963	3.95%	2.94%
Parkersburg-Marietta WV-OH	3	3,675,705	3.95%	17.85%
Washington DC-MD-VA-WV PMSA	2	372,167	2.63%	1.81%